

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 56th LEGISLATURE - REGULAR SESSION

JOINT SELECT COMMITTEE ON JOBS AND INCOME

Call to Order: By **CHAIRMAN BOB DEPRATU**, on January 6, 1999 at 4:00 P.M., in Room 325 Capitol.

ROLL CALL

Members Present:

Sen. Bob DePratu, Chairman (R)
Rep. Karl Ohs, Vice Chairman (R)
Rep. Douglas Mood (R)
Rep. Bruce Simon (R)
Rep. Emily Swanson (D)
Sen. Mike Taylor (R)
Sen. Jon Tester (D)
Rep. Carley Tuss (D)
Sen. Mignon Waterman (D)

Members Excused: Sen. Lorents Grosfield (R)

Members Absent: None.

Staff Present: Gordon Higgins, Legislative Branch
Deb Thompson, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary: LC 1105, LC 1221, LC 1513, LC 0322

LC 1105

Gordon Higgins explained this bill would authorize a 10 percent telephone company license tax credit for infrastructure improvements. He discussed changes to the draft.

EXHIBIT(joh03a01) {Tape : 1; Side : A; Approx. Time Counter : 0 - 2.8}

Chairman DePratu noted this was Sen. Waterman's bill. Sen. Waterman commented that she worked with the telecommunication

providers regarding bringing in high speed telecommunications into outlying areas. This will spur technological development.

{Tape : 1; Side : A; Approx. Time Counter : 2.8 - 5.8}

Sen. Taylor commented that he agreed with the tax credit but why just the telecommunications companies and not any one else.

LC 1221

Gordon Higgins explained the draft. **EXHIBIT(joh03a02)** Sen. Waterman commented that she had talked to the industry about expanding the authorization. There are a number of issues regarding expanding affordable housing. **{Tape : 1; Side : A; Approx. Time Counter : 5.8 - 10.4}**

Maureen Rude, representing the Board of Housing, discussed the bill which would allow rental housing developing program to be used by non-profit associations as well as for-profit groups. Sen. Tester asked what the reason was for the non-profit focus. Ms. Rude explained the reason was federal law must set aside 10% for non-profit groups. However, this was not being used so it was sent back to the federal pool. This bill would allow the non-profit associations to bring in private equity to use the 10%.

Sen. Waterman **MOVED** to approve the bill draft request and pass it out of committee. The question was called. The motion **PASSED** unanimously. **{Tape : 1; Side : A; Approx. Time Counter : 14}**

LC 1513

Gordon Higgins explained this was the three year tax credit for small employers to provide health benefits for their employees. This would use the tobacco settlement account. However, if the funds do not come in then the bill would revert back to its original form of a tax credit against the income tax.

EXHIBIT(joh03a03)

Rep. Swanson discussed the fiscal impact. She said she wanted to have the bill proceed to a hearing and be part of the Jobs and Income Program. **{Tape : 1; Side : A; Approx. Time Counter : 16.5-20.2}**

LC 0322

Sen. Taylor discussed the business equipment tax proposal.

EXHIBIT(joh03a04) He explained the numbers were changed to include agriculture and business equipment reduction. Because of the economy this would be sped up. He pointed out changes in the plan concepts where the class 8 property taxes paid on the first \$5,000, \$15,000 for the year 2000; and \$45,000 for the year 2001. This would provide relief to small businesses and affect around 50,000 small businesses. The tax credit eliminates the need to distribute replacement revenue to local governments. This would be a streamline process so counties will still get their money. It requires minimal change to the property tax system. It is a state income tax credit. Regardless of income tax liability, if you pay class 8 property taxes you will get a refund on the credit. He described the advantages of the plan concepts (See exhibit 4). **{Tape : 1; Side : A; Approx. Time Counter : 16.5 - 28}**

Sen. Waterman asked for clarification regarding full or part time jobs. Sen. Taylor said it was jobs - as long as they pay, \$20,800 a year which equates to \$10 an hour. He said he did not want this to limit it to \$10 an hour. The benchmark was \$20,800 but there are jobs in Montana that pay more than that in a ten month period. They would have the ability to use that tax credit. **{Tape : 1; Side : A; Approx. Time Counter : 28 - 30}**

Rep. Swanson pointed out this was a good plan. She asked about the first year being around \$5,000 so it would address agriculture. She asked about the market value of personal property and how agriculture could be distinguished. **{Tape : 1; Side : A; Approx. Time Counter : 30 - 34}**

Sen. Taylor pointed out that agriculture has a class 6 property tax which is livestock. Accelerating agriculture would directly affect class 8. Class 6 will be eliminated. Chairman DePratu said the class 8 would work from the bottom up but giving agriculture an extra boost so the livestock, class 6 property, will be brought to zero over a four year period.

Rep. Swanson said she needed to understand the relationship between the class 6 and class 8 property treatment and how it worked against the market value of the business equipment. Rep. Ohs said it was not related but had a total cost when the agricultural livestock tax was accelerated.

The committee members discussed who would qualify under this plan for the job training credit. **{Tape : 1; Side : A; Approx. Time Counter : 34 - 43.4}**

Rep. Mood said this program would encourage investment in productive equipment and the creation of jobs. The program will provide an opportunity to do a tremendous amount for this state.

{Tape : 1; Side : A; Approx. Time Counter : 50-53.8}

Sen. Waterman responded if you go back to the Governor's proposal, comprehensive tax reform was part of that, business equipment was not part of that. She said this reform should not be at the expense of the workers that are at the bottom.

Rep. Simon said the comprehensive tax reform is speculative. The committee needs to deal with this issue of trying to enhance the ability for Montanans to get better paying jobs. **{Tape : 1; Side : A; Approx. Time Counter : 54.8}**

Rep. Swanson said this was a good idea but she was concerned that homeowners deserve a tax break. **{Tape : 1; Side : A; Approx. Time Counter : 56.6}**

Sen. Taylor pointed out political statements were being made. The economic policy that we have in the state of Montana for the last 100 years has put us in this shape. If you can't get a good job you can't buy a home or pay the property tax. The past policy has been the same poker players at the same table with the same pot of money and we keep stealing from each poker player without giving them any new money. This job proposal does that. He said he was not opposed to give some other tax proposal to homeowners. This committee was for the purpose of addressing the jobs and income issue to create jobs and income for the people to buy those homes. **{Tape : 1; Side : A; Approx. Time Counter : 58.7}**

{Tape : 1; Side : B}

Chairman DePratu suggested the bills be assigned sponsors.

EXHIBIT(joh03a05)

ADJOURNMENT

Adjournment: 5:30 P.M.

SEN. BOB DEPRATU, Chairman

DEB THOMPSON, Secretary

BD/DT

EXHIBIT (joh03aad)